

Gina Spearman

From: Christy Bunce
Sent: Wednesday, March 20, 2019 1:18 PM
To: Kelly Allison; Jan Preslo; Jon Reed (EVP Retail)
Cc: Patty Arvielo; Rick Arvielo; Gina Spearman
Subject: RE: South East Division

Hi Kelly – As you know, and we have discussed on quite a few occasions since the beginning of the year, the mortgage landscape has changed drastically since mid 2018. We did our best as a Company to outrun those changes by allowing our regions to keep growing at a rapid pace thinking that volume would cure the margin compression we were seeing. It did not, and that fact became glaringly apparent when we looked at the year end p&l's and looked forward into the 1st quarter of 2019. We are looking to all of you to be a part of the solution, hence the meetings we have had about moving to a p&l model, talking openly about Corporate expenses, etc. We have also cut \$5 mill a year since January in corporate overhead and are actively looking for a CFO that can help us micromanage this changing landscape. We feel we have been nothing but upfront and honest with the challenges we are facing going into 2019 and I am not sure if you are intending to but you continue to use a condescending tone when speaking to us and in your email correspondence. The numbers are correct. We have looked at them backwards and forwards for the past 60+ days, we might not manage GPM the way you are used to but we feel we manage it in a fair and fiscally responsible way and we are not planning on changing our philosophy on that. We have to hold some profits out for risk and we do that in holding back some of the llpa's that are charged. As far as communication goes, we could be better, we have acknowledged that fact and will continue to work on that. At the end of the day we are doing what we need to do at the top of the house to make sure that NAF is here for the long haul and is successful in no matter what market we are in.

As far as your suggestion goes below we are fine with you leaving your comp as you have it now but we will be reviewing the p&l with you every month to make sure that we can make an acceptable profit with these numbers. As I mentioned the other night to you I think that 140 bps all in comp is too high to be competitive in the market right now. I think the comp that you pay your LO's is a fair compensation with is in line with what we see with our competitors and it is the comp diff that you earn that could end up causing issues for your team. We will allow govie concessions to a max of 100 bps but can not go that high on conventional loans. We will allow concessions to 85 bps max. Anything over the max will result in a lean in on your overrides. You and Gina will be obligated to cover all marketing costs including Atlanta's Best New Homes. Kristin is willing and open to waive LLPA's where we can not get to par on a deal because of low loan amounts, low fico, etc. You have the detailed info on GPM's from Jason as of this morning and we will communicate out to you in writing when any GPM changes are being discussed for the SE Region.

With volumes going up and the changes we are making throughout the company we feel that 2019 will end up being a very good year for All of us.

Thank you,

Christy Bunce
Chief Operations Officer


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From: Kelly Allison <Kelly.Allison@Nafinc.com>
Sent: Tuesday, March 19, 2019 10:17 AM
To: Christy Bunce <Christy.Bunce@Nafinc.com>; Jan Preslo <Jan.Preslo@Nafinc.com>; Jon Reed (EVP Retail) <Jon.Reed@Nafinc.com>
Cc: Patty Arvielo <Patty.Arvielo@Nafinc.com>; Rick Arvielo <Rick.Arvielo@Nafinc.com>; Gina Spearman <Gina.Spearman@Nafinc.com>
Subject: South East Division

Good morning,

We joined NAF two years ago. In February it was revealed to us that NAF was requiring substantial cost reductions due to misallocations. The first option presented to us in February was not conducive to long term sustainable growth and retention. We formulated a plan that would achieve the corporate mandate and have the least negative impact on production. On March 5th we presented a business plan we believed to be amicable and sustainable for NAF as a whole. We concluded to take on all marketing expense for the South East Division except for Atlanta's Best New Homes, to take CD to 130 and to keep our weighted PE's at 75 all in an effort to drive 32bps in CM for 2019. We needed one thing..... clarity around the weighted PE. What should have been a simple request to fulfill has resulted in numerous emails and Conference calls over the last 2 weeks that leaves us feeling stalled and irresolute. We have been asking very fundamental questions in an effort to ensure we have a clear and defined process in which to measure the metrics we proposed.

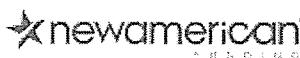
Regardless of the delayed resolve we are obligated to our team. We made commitments to them two years ago based on the collective agreement with NAF corporate. Although NAF is retracting on the employment agreement with myself and Gina, we cannot condone doing the same to our team/family that have aligned themselves with our leadership for many years.

Since we cannot find the limpidity in the tools suggested to measure and track the overall weighted PE we are going to abolish this concept. We will be holding our agreement as is. (140bps CD, 30bps BM and 25bps AM with the exception of covering all marketing cost). Please approve the following so we can advance.

- 1)Government we want a 100 bps PE tolerance on all FHA/VA/USDA. Anything over 100 bps we will cover out of our comp buckets
- 2)Agency we want 100 bps PE tolerance and anything over we will cover out of our comp buckets.
- 3)We want clarification on GPM's for each loan type and the courtesy of any changes to the GPM's in the future as agreed upon in our current employment contracts.
- 4)We want the ability to negotiate LLPA's with Kristin when necessary.

Sincerely,

"Don't tell me the sky's the limit when there are footprints on the moon."



Kelly Allison

Southeast Divisional, VP

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CLICK HERE TO ADD MY INFO TO YOUR CONTACTS

From: Christy Bunce <Christy.Bunce@Nafinc.com>

Sent: Monday, March 18, 2019 8:09 PM

To: Kelly Allison <Kelly.Allison@Nafinc.com>; Gina Spearman <Gina.Spearman@Nafinc.com>

Cc: Jan Preslo <Jan.Preslo@Nafinc.com>; Jon Reed (EVP Retail) <Jon.Reed@Nafinc.com>

Subject: can you guys get on my conference line

Conference Call #

External Dial: 949-208-8960

Internal Dial: Ext. 3198

Pin: 6006

After the tone say your Name, then enter the # key

Thank you,

Christy Bunce

Chief Operations Officer



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